

Regular Meeting

Agenda Item #	3
Meeting Date	26 February 2007
Prepared By	Sara Anne Daines HCD Director
Approved By	Barbara B. Matthews City Manager

Discussion Item	Amendment of Section 6.28.010 of the <i>Takoma Park Code</i> expanding notification requirements for contracts of sale of a rental facility
Background	<p>This is the first reading of a two-reading ordinance amending <i>Takoma Park Code</i>, Title 6, Housing, Chapter 6.28, Sale of Rental Facilities – Notice, Disclosure, and Inspection Requirements, Section 6.28.010, Contract of Sale Requirements. The proposed amendment was initially considered during the Council’s February 20 worksession.</p> <p>The proposed ordinance amendment would expand the notification and disclosure requirements for contracts of sale for rental facilities. Initially proposed as a means of increasing purchasers’ awareness of the City’s rent stabilization law, the ordinance is intended to provide prospective purchasers with the information needed to make an informed decision prior to the purchase of a rental facility in the City of Takoma Park. The information to be provided to a prospective purchaser includes formal notice of the City’s rental housing laws and copies of the annual rent reports and all licensing inspection reports for the property for the prior two years.</p> <p>Several questions were raised during the worksession discussion regarding the notification requirements and the right of a potential purchaser to cancel or rescind a contract if the required notice and reports were not provided in a timely manner.</p> <p>In response to these concerns, the proposed ordinance has been revised to provide that a purchaser of a rental property can rescind a contract at any time <u>before</u> receiving the required notice, rent reports, and inspection reports <u>or</u> within five days after receipt of the required notice and reports. The right of a purchaser who has received the required information to rescind the contract ends once they go to settlement on the purchase of the rental facility. A new paragraph regarding the unavailability of rent or inspection reports and failure to provide reports also has been added.</p> <p>Additional revisions have been made to <i>Section 2 - Rent Stabilization</i> of the required notice to inform purchasers that the rents for the rental facility may not be increased above the rent stabilization allowance without permission from COLTA and that neither the price paid for the rental facility, nor the financing terms, was grounds to increase the rents. A new paragraph has also been added to the required notice to inform the purchaser of his/her right to rescind the contract of sale.</p>
Policy	To inform and educate local landlords and tenants of their rights and responsibilities under the City of Takoma Park’s various rental housing laws.

Fiscal Impact	N/A
Attachments	Ordinance - Mandatory Notice Requirements for Contracts of Sale of Rental Facility
Recommendation	To approve the first reading of the proposed Ordinance and the increased notification requirements for contracts of sale of a rental facility.
Special Consideration	

Introduced by:

First Reading:

Second Reading:

Effective Date:

CITY OF TAKOMA PARK, MARYLAND

ORDINANCE NO. 2007-

(Mandatory Notice Requirements for Contracts of Sale of a Rental Facility)

WHEREAS, City law includes extensive regulation of rental housing, including provisions granting the tenants of a rental facility the first opportunity to purchase the rental facility, restricting rents, mandating that annual rent reports be filed, requiring that rental facilities be inspected and licensed, and regulating the landlord-tenant relations; and

WHEREAS, some purchasers of rental facilities have complained that they were not informed and were unaware of the City's rent stabilization law and other City rental housing laws and requirements at the time they purchased the rental facility; and

WHEREAS, in some instances, the tenants of such rental facilities have been subject to improper rent increases and fees and lease provisions that do not comply with the City's rental housing laws; and

WHEREAS, in order to better ensure that purchasers of rental facilities are informed of City laws relating to rental housing, including the existence of rent stabilization and the allowable rents for the rental facility, and to protect tenants, the Council desires to enact a mandatory notice requirement that sellers of rental facilities must include in the contract of sale.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND, that Title 6, Housing, Chapter 6.28, Section 6.28.010 of the *Takoma Park Code* is amended as follows:

Chapter 6.28. Sale of Rental Facilities–Notice, Disclosure, and Inspection Requirements.

Section 6.28.010 Contract of sale requirements. Disclosure of City inspection reports required.

A. On or before entering into a contract for the sale of a rental facility, the ~~An~~ owner or agent of a the rental facility ~~entering into a contract for the sale of the rental facility~~ shall provide the prospective purchaser with the following:

1. A notice of City of Takoma Park rental housing laws (“Notice”) in accordance with paragraph H of this section;

2. Copies of the annual rent reports for the rental facility for the previous 2 years (see Section 6.20.050); and

3. Copies of all ~~City~~ rental licensing inspection reports of the rental facility (“~~City~~ inspection reports”) for the previous 2 years, ~~on or before entering into a contract for the sale of the rental facility.~~

B. At the time the Notice and documents listed in paragraph A of this section ~~City inspection reports~~ are delivered, each purchaser shall sign and date a written acknowledgment of receipt of the Notice and shall initial each inspection report and annual rent report. The Notice ~~,which~~ shall be included in or attached to the contract of sale for the rental facility and the reports shall be attached to the contract of sale.

~~C. A purchaser who receives City inspection reports on or before entering into the contract of sale for a rental facility does not have the right to rescind the contract of sale based upon the information contained in the City inspection reports of the rental facility.~~

CD. A purchaser of a rental facility ~~who does not receive the City inspection reports on or before entering into the contract of sale for rental facility~~ has the right, upon written notice to the seller or seller’s agent:

1. To rescind the contract of sale at any time before the receipt of the Notice, rent reports, and City inspection reports or within 5 days following receipt of the Notice, rent reports, and City inspection reports of the rental facility; and

2. To the immediate return of any deposits made on account of the contract of sale.

D. Unavailability of Rent or Inspection Reports; Failure to Provide Reports.

1. If the owner or agent of the rental facility has not filed all required rent reports with the City, or has filed rent reports with inaccurate or incomplete information, or a rental housing licensing inspection has not been completed, then the owner or agent of the rental facility shall promptly file or correct all required rent reports and/or provide access to the rental facility for purposes of performing a rental licensing inspection or reinspection. In such event, the owner or agent of the rental facility shall notify the purchaser of the non-availability or inaccuracy of the rent report(s) and/or rental licensing inspection reports for the rental facility and shall provide copies of such reports or corrected reports to the purchaser as soon as the reports are prepared and filed with the City.

2. The purchaser's right to rescind the contract shall continue until the owner or agent of the rental facility has provided the required Notice and complete and accurate rent reports and rental licensing inspection reports for the rental facility to the purchaser. In the event that settlement on the transfer of title to the rental facility has occurred, then the purchaser may seek an order from a court of competent jurisdiction declaring any transfer in which the owner or agent has not complied with all requirements of this chapter void and the transfer documents set aside.

E. Waiver of Purchaser's Rights.

1. The rights of a purchaser under this section may not be waived in the contract

of sale and any attempted waiver is void.

2. Except as stated in paragraph D of this section, any rights of ~~a~~ the purchaser who has received the Notice and complete and accurate annual Rent Reports and Rental Housing Licensing Inspection Reports for the two years immediately preceding the sale to terminate the contract of sale for the rental facility ~~provided by this section~~ are waived conclusively if not exercised before settlement on the transfer of title to the purchaser.

F. Each contract of sale for a rental facility shall include a Notice advising the purchaser of the purchaser's rights as set forth in this chapter.

G. The Notice, disclosure, and inspection requirements established by this chapter do not apply to:

1. A sheriff's sale, tax sale, deed in lieu of foreclosure, or sale by foreclosure, partition, or by court-appointed trustee;

2. A transfer of the rental facility by a fiduciary in the course of the administration of a decedent's estate, guardianship, conservatorship or trust;

3. A transfer of the rental facility or any interest therein, to a spouse, former spouse, domestic partner, former domestic partner, parent, sibling, child or grandchild; or

4. A transfer of a single-family rental facility to a purchaser who stipulates in the contract of sale that the property will not be used for rental purposes. It will be the responsibility of the purchaser ~~seller~~ of the single-family rental facility to notify the City, within 15 working days after transfer of title to the property, of the discontinuance of use of the property as a rental facility.

HG. Except as provided in paragraph G of this section, the following Notice shall be included in or attached to all contracts of sale for a rental facility:

CITY OF TAKOMA PARK, MARYLAND

NOTICE OF RENTAL HOUSING LAWS

This Notice is attached to and made a part the Contract dated _____, between the undersigned Seller and Purchaser for the sale and purchase of residential rental property located at _____, Takoma Park, Maryland.

The City of Takoma Park advises prospective purchasers to familiarize themselves with the City laws and regulations regarding rental housing before purchasing any property that is used as residential rental housing. These laws include the following:

1. Tenant Opportunity to Purchase (Takoma Park Code, Chapter 6.32). Before a Seller may go to settlement on the sale of a rental facility, the Seller must give the tenants an opportunity to purchase the rental facility. All contracts for the sale of the rental facility are subject to the rights of the tenant(s) or tenant association to purchase the rental facility in accordance with Chapter 6.32.

2. Rent Stabilization (Takoma Park Code, Chapter 6.20). The rent stabilization law restricts rent increases for residential rental units. The Seller is required to provide the Purchaser with copies of the two most recent annual Rent Reports for the rental facility, which must be initialed by the Purchaser and attached to the Contract of Sale. City law does not permit a landlord to increase the rents for the rental facility above the annual rent stabilization allowance without an order from the Commission on Landlord-Tenant Affairs. Neither the price paid for the rental facility, nor the financing terms, are considered in a landlord's petition to increase the rents for the rental facility above the annual rent stabilization allowance.

3. Rental Housing Licenses (Takoma Park Code, Chapter 6.08). All rental facilities must be inspected for compliance with the Property Maintenance Code and licensed. The Seller is required to provide the Purchaser with copies of the two most recent Rental Housing Licensing Inspection Reports for the rental facility, which must be initialed by the Purchaser and attached to the Contract of Sale.

4. Landlord-Tenant Relations (Takoma Park Code, Chapter 6.16). In addition to the applicable state landlord-tenant laws, the City of Takoma Park has supplemental laws regulating the landlord-tenant relation, including minimum lease term and lease renewal requirements, restrictions on allowable pet and other fees that may be charged to a tenant, and a Commission on Landlord-Tenant Relations, which hears complaints of landlord-tenant violations and appeals from rent increase petition decisions.

Additional information is available upon request from the City of Takoma Park Department of Housing and Community Development at (301) 891-7119 or at www.takomaparkmd.gov.

A Purchaser has the unconditional right, upon written notice to the Seller or Seller's agent,

to rescind the contract of sale and to the immediate return of any deposit at any time within five (5) days following receipt of this Notice and receipt of copies of the annual Rent Reports and Rental Housing Licensing Inspection Reports for the rental facility for the two years immediately preceding the sale. The right of a Purchaser, who has received this Notice and complete and accurate Rent Reports and Inspection Reports, to rescind the contract of sale terminates if not exercised before settlement on the transfer of title to the rental facility.

THIS NOTICE IS REQUIRED BY THE CITY OF TAKOMA PARK TO PROVIDE GENERAL INFORMATION ABOUT THE CITY'S RENTAL HOUSING LAWS AND REQUIREMENTS AND IS NOT INTENDED TO PROVIDE SPECIFIC LEGAL OR INVESTMENT ADVICE.

Seller: _____
Print Name: _____

Date: _____

Seller: _____
Print Name: _____

Date: _____

PURCHASER ACKNOWLEDGES RECEIPT OF THIS NOTICE, COPIES OF RENTAL HOUSING LICENSING INSPECTION REPORTS FOR YEARS _____ AND _____, AND COPIES OF THE ANNUAL RENT REPORTS FOR YEARS _____ AND _____ FOR THE PROPERTY LOCATED AT _____, TAKOMA PARK, MARYLAND.

Purchaser: _____
Print Name: _____

Date: _____

Purchaser: _____
Print Name: _____

Date: _____

**ADOPTED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND,
THIS ____ DAY OF _____, 2007, BY ROLL-CALL VOTE AS FOLLOWS:**

Aye:

Nay:

Absent:

Abstain:

EXPLANATORY NOTE

Additions to the existing language of the *Takoma Park Code* are shown by underlining.
~~Deletions~~ to the existing language of the *Takoma Park Code* are shown by ~~strikeout~~.